Your notes

GCSE Economics: revision notes

The basic economic problem

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Scarcity and choice

- The basic economic problem: people have unlimited wants, but resources are scarce (limited). So choices must be made.
- **Opportunity cost** is the value of the next best alternative given up when a choice is made. If you spend £10 on a cinema ticket instead of a book, the book is the **opportunity cost**.
- Governments, businesses and individuals all face **opportunity costs**, such as a government spending on hospitals rather than schools.

Factors of production

- Land: natural resources (reward: rent). Labour: human effort (reward: wages).
- **Capital**: man-made resources used to produce goods, such as machines (reward: interest).
- **Enterprise**: the risk-taking and organising that brings the other factors together (reward: profit).

Economic agents and sectors

- **Economic agents** are consumers (households), producers (firms) and the government.
- The primary sector extracts raw materials (farming, fishing, mining); the secondary sector manufactures goods; the **tertiary sector** provides services. In Guernsey, as in the UK, most jobs are in the **tertiary sector**, such as finance.

Key terms

Scarcity	Resources being limited while wants are unlimited.
Opportunity cost	The value of the next best alternative given up.
Factors of production	Land, labour, capital and enterprise.

Capital	Man-made resources used in production, such as machines.
Enterprise	Taking risks to organise the other factors of production.
Tertiary sector	The part of the economy that provides services.
Economic agents	Consumers, producers and the government.

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What is the basic economic problem?
2. What is opportunity cost?
3. What is the reward for labour?
4. What is the reward for enterprise?
5. Which is an example of capital?
6. Which sector includes farming and fishing?
7. Which sector includes banking and retail?
8. Which is a factor of production?

Answers

1. Unlimited wants but scarce resources
2. The value of the next best alternative given up
3. Wages
4. Profit
5. A factory machine
6. The primary sector
7. The tertiary sector
8. Land

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

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